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CAPACITY CONSTRAINTS COMING SAYS NEB REPORT

CALGARY — Canadian crude oil pipelines could be facing a transportation bottleneck this fall says a new report released by the National Energy Board (NEB) today.

According to *An Assessment of the Canadian Hydrocarbon Transportation System,* there will likely not be enough pipeline capacity this fall to ship the surge of crude being pumped from Alberta's oil sands. By the fourth quarter of 2007, western Canadian oil pipelines could be facing periods of apportionment – a situation in which available pipeline space is "apportioned" or shared among shippers. With no significant additions to the Canadian pipeline system planned before 2009, apportionment could be in place for up to 18 months.

Looming capacity constraints come just as Canadian oil producers are ramping up operations. According to the NEB's 2006 Canadian Energy Overview, Canadian oil production is expected to rise nine per cent to 2.9 million barrels per day in 2007 due largely to increased demand for Canadian crude south of the border.

"This report clearly states that capacity constraints on oil pipelines in Canada are coming," said Acting National Energy Board Chairman Gaétan Caron.

"Most of us use hydrocarbons in one form or another every day of our lives. More than ever, we need to remind ourselves that meeting our energy needs in Canada is about making our overall energy system work."

While capacity constraints may be coming down the pipe for the oil industry, it's a different story for natural gas pipelines. According to the report, not only is there adequate capacity on most NEB-regulated gas pipelines, there is also some spare capacity, even in winter, when demand for natural gas traditionally jumps.

The third annual report takes a look at the adequacy and economic efficiency of the nearly 45 000 km of pipeline regulated by the NEB. The report noted that pipeline companies regulated by the NEB are currently able to attract the financial resources needed to maintain their systems and meet the needs of the changing market. However, some pipeline companies and investors have raised concern over their future ability to attract capital given their current return on equity ratios.

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The NEB is an independent federal agency that regulates parts of Canada's energy industry. Its purpose is to promote safety and security, environmental protection, and efficient energy infrastructure and markets in the Canadian public interest, within the mandate set by Parliament in the regulation of pipelines, energy development and trade. As part of its mandate the NEB monitors the supply of all energy commodities in Canada and publishes reports on energy, called Energy Market Assessments.

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This news release, a series of Frequently Asked Questions and *An Assessment of the Canadian Hydrocarbon Transportation System* are available on the Board's Internet site at www.neb-one.gc.ca under *What's New*!

For further information:

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For a copy of *An Assessment of the Canadian Hydrocarbon Transportation System*:

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